

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ISO-00 L-03 IO-14 NSC-05 AID-05
CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 ICA-20
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EUR-12 /108 W

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FM AMEMBASSY ABIDJAN
TO DEPT OF TREASURY WASHDC
AMEMBASSY DAKAR
INFO SECSTATE WASHDC 9918

UNCLAS SECTION 1 OF 2 ABIDJAN 7438

DEPT PASS DCC AGENCIES

E.O. 11652: N/A
TAGS: AFDF, EAID, EFIN
SUBJECT: AFRICAN DEVELOPMENT FUND LOAN FOR SENEGAL GUIDEL VALLEY
DEVELOPMENT PROJECT

SUMMARY: AFRICAN DEVELOPMENT FUND MANAGEMENT PROPOSES FUA 2.15
MILLION FUND UNIT OF ACCOUNT (FUA EQUAL TO US \$1.11) LOAN TO THE
GOVERNMENT OF THE REPUBLIC OF SENEGAL TO FINANCE A PORTION OF AN
AGRICULTURAL DEVELOPMENT PROJECT IN THE LOWER CASAMANCE REGION OF
THE COUNTRY. PROJECT ENTAILS CONSTRUCTION OF A DESALINIZATION DAM
TO FACILITATE RICE PRODUCTION, AN IRRIGATION SCHEME AND A RURAL
AGRICULTURAL EXTENSION PROGRAM. TOTAL COST OF PROJECT ESTIMATED
AT FUA 7.0 MILLION TO BE CO-FINANCED BY CANADIAN INTERNATIONAL
DEVELOPMENT AGENCY (CIDA) AND GOS. END SUMMARY.

1. AFDF DOCUMENT BD/78/66 AND ATTACHMENTS DESCRIBING LOAN
POUCHED TO DEVELOPMENT COORDINATING COMMITTEE (DCC) AGENCIES
AUGUST 4, 1978. REQUEST AMEMBASSY DAKAR CABLE ANY VIEWS ON
PROJECT TO ASSIST DCC DELIBERATIONS ON U.S. BOARD POSITION. BOARD
CONSIDERATION SCHEDULED FOR AUGUST 24, 1978.
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2. AFDF MANAGEMENT PROPOSES FUA 2.15 MILLION LOAN TO GOVERNMENT
OF SENEGAL TO FINANCE 30 PERCENT OF AGRICULTURAL DEVELOPMENT
PROJECT IN LOWER CASAMANCE REGION OF SENEGAL. PROJECT IS INTENDED
TO REDUCE COUNTRY'S NEED TO IMPORT CEREALS THROUGH THE DEVELOPMENT
OF 860 HA OF PADDIES FOR RICE PRODUCTION, 450 HA FOR DRY RICE
PRODUCTION AND A TOTAL OF 2325 HA FOR PRODUCTION OF MILLET/SORGHUM,

MAIZE AND GROUNDNUTS. AFDF FINANCED COMPONENTS OF PROJECT INCLUDE:

A) CONSTRUCTION OF A 60 M CONCRETE DESALINIZATION WATER DAM ON THE GUIDEL RIVER TO PROTECT UPSTREAM LANDS AGAINST INTRUSION OF SEA-WATER AND TO FACILITATE THEIR DESALINIZATION BY RAINWATERS (FUA 1.69 MILLION; B) CONSTRUCTION OF PROJECT BUILDINGS TO INCLUDE AN OFFICE, ACCOMMODATION FOR SIX PROJECT STAFF MEMBERS, AND SEVERAL STORAGE FACILITIES (FUA 430 THOUSAND). CIDA TO FINANCE SIXTY PERCENT OF TOTAL PROJECT COSTS (FUA 4.21 MILLION) WHILE GOS WILL FINANCE TEN PERCENT (FUA 660 THOUSAND IN LOCAL COSTS). COMPONENTS FINANCED BY CIDA AND GOS INCLUDE LAND DEVELOPMENT AND FEEDER ROADS, PROVISION OF VEHICLES AND EQUIPMENT, MAINTENANCE COSTS OF DAM AND EQUIPMENT, AND AGRICULTURAL INPUTS. TOTAL PROJECT COSTS ESTIMATED AT FUA 7.0 MILLION OF WHICH FUA 2.33 MILLION IS IN LOCAL COSTS. COST ESTIMATES INCLUDE NINE PERCENT ALLOWANCE FOR PHYSICAL CONTINGENCIES AND EIGHT PERCENT ALLOWANCE FOR PRICE ESCALATION. BORROWER TO MEET ANY COST OVERRUNS. PROCUREMENT OF AFDF FINANCED COMPONENTS TO BE THROUGH INTERNATIONAL COMPETITIVE BID PROCEDURES. PROPOSED TERMS OF AFDF LOAN: 50 YEARS AMORTIZATION INCLUDING TEN YEARS GRACE, 0.75 PERCENT SERVICE CHARGE. GOVERNMENT OF SENEGAL TO BE BORROWER, MINISTERE DE L'EQUIPMENT TO BE EXECUTING AGENCY.

2. DURING THE LAST DECADE, SENEGAL HAS MADE STRENUOUS EFFORTS TO DIVERSIFY ITS AGRICULTURAL PRODUCTION. THE PREDOMINANT CROP HAS TRADITIONALLY BEEN GROUNDNUTS WHILE THE COUNTRY HAS HAD TO IMPORT APPROXIMATELY 200 THOUSAND TONS OF RICE PER YEAR. IT IS ESTIMATED THAT NEARLY ONE-HALF OF FOREIGN EXCHANGE EARNINGS FROM SALE OF UNCLASSIFIED

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GROUNDNUTS OR THEIR DERIVATIVES ARE USED TO MEET COST OF RICE IMPORTS. THE PROPOSED PROJECT IS PART OF A GOS EFFORT TO INCREASE RICE PRODUCTION BY 26 PERCENT PER YEAR, REACHING AN ANNUAL PRODUCTION OF 300 THOUSAND METRIC TONS BY 1981. THE PROJECT AREA IS SITUATED IN LOWER CASAMANCE, NORTH OF THE SENEGAL-GUINEA BISSAU BORDER ELEVEN KM FROM THE TOWN OF ZIGUINCHOR, REGIONAL CAPITAL OF CASAMANCE. THE AREA IS MOSTLY LEVEL GROUND WITH A SOIL SUITABLE FOR RICE PRODUCTION. A MAJOR OBSTACLE TO THE PRODUCTION OF RICE HOWEVER, HAS BEEN THE INFLUENCE OF SEAWATER FLOODING DURING THOSE YEARS WHEN NO RAINWATER IS AVAILABLE TO NEUTRALIZE THE EFFECT OF SEAWATER BACK FLOWS INTO THE AREA'S GUIDEL RIVER. IT IS ESTIMATED THAT 110 THOUSAND HA OF CURRENTLY UNPRODUCTIVE SALINE AREAS CAN BE REHABILITATED BY CLOSING THE VALLEY TO SEAWATER THROUGH CONSTRUCTION OF THE PROPOSED PROJECT DESALINIZATION DAM.

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DEPT PASS DCC AGENCIES

3. THE PROJECT AREA ENCOMPASSES 18 VILLAGES WITH A COMBINED POPULATION OF 35 THOUSAND. LAND TENURE IN THE REGION IS BASED ON CUSTOMARY LAW BUT LAND DEVELOPED UNDER THE PROJECT WILL BE ALLOCATED TO INDIVIDUAL FARMERS BY THE GOVERNMENT. IT IS ESTIMATED THAT THE AVERAGE FAMILY IN THE AREA CAN PROVIDE FIVE ADULT WORKERS AND CAN CULTIVATE FIVE HA OF MIXED CROPS. THE PROJECT WILL INVOLVE 775 FAMILIES OR OVER SEVEN THOUSAND PEOPLE AND PROVIDE DIRECT EMPLOYMENT FOR OVER 3,800 PEOPLE. AN AVERAGE FAMILY'S ANNUAL INCOME IS EXPECTED TO INCREASE FROM THE CURRENT LEVEL OF US \$161 TO ALMOST US \$1,200. AT FULL PRODUCTION IN YEAR FIVE, THE PROJECT'S INCREMENTAL PRODUCTION IS EXPECTED TO BE 4,932 TONS OF PADDY RICE, 1,240 TONS OF MAIZE, 697 TONS OF MILLET/SORGHUM AND 850 TONS OF GROUNDNUTS. FOREIGN EXCHANGE SAVINGS RESULTING FROM INCREASED DOMESTIC RICE PRODUCTION ARE EXPECTED TO TOTAL FUA 1.24 MILLION PER YEAR. THE INTERNAL RATE OF RETURN IS ESTIMATED TO BE ELEVEN PERCENT OVER THE 50 YEAR LIFE OF THE PROJECT. A TEN PERCENT INCREASE IN COSTS INDICATES A TEN PERCENT RETURN.
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